Inland Revenue

HELP SHEET IR202

For the Employment Pages

- Living accommodation

This Help Sheet helps you fill in box 1.14 in the Employment Pages of your Tax Return if you are provided with living accommodation by reason of your employment.

Box numbers mentioned in this Help Sheet refer to boxes in the Employment Pages and the Working Sheets on pages 2 and 3 will help you work out the amount to enter in box 1.14.

Your income from employment includes the value of any living accommodation you or your relations get by reason of your employment. That value is made up of a basic taxable amount, plus an additional amount if the accommodation cost more than £75,000.

WHAT IS LIVING ACCOMMODATION?

Living accommodation is any accommodation that you can live in, whether you live there all the time or only occasionally. It includes houses, flats, houseboats, holiday homes and apartments.

Living accommodation does not include hotel rooms or board and lodgings, where you are dependent on someone else for cooking, cleaning or laundry, etc. But look at the notes for boxes 1.12 and 1.22 in the Notes on Employment to decide if you need to make an entry in either box for hotel, board or lodging expenses etc.

IS THERE A CHOICE TO LIVE IN OR LIVE OUT?

If:

- you can choose between taking living accommodation offered by your employer or, getting a higher cash wage and arranging your own living accommodation, **and**
- the extra wages you could get are more than the value of the living accommodation you enter in box 1.14

enter the excess in box 1.12. Use the boxes below to calculate the amount to enter in box 1.12.

If the extra wages are less than (or the same as) the value of the accommodation, just fill in box 1.14.

Amount of extra wages* you could have got	**A**	£
Value of accommodation** to be entered in box 1.14	**B**	£
Amount to enter in box 1.12 (enter '0' if less than zero)	**A *minus* B** **C**	£

* Enter the amount of extra wages for the year or, if the living accommodation was not provided to you for the whole year, the amount for the period it was provided.

** Before any deduction for part of the living accommodation used exclusively for the duties of your job (see Step 6 in the Working Sheet on page 2).

CASH ALLOWANCES AND RENT PAID

If you get an accommodation or rent allowance or have your rent paid for you, do not put it in box 1.14. Put it in box 1.12 instead.

IS MY LIVING ACCOMMODATION EXEMPT FROM TAX?

Some living accommodation provided is exempt from tax.
The rules for exemption are that:

- the living accommodation is necessary for the proper performance of the duties of your job, **or**
- you are in a kind of employment where it is customary for living accommodation to be provided and the living accommodation enables you to perform your duties better, **or**
- you face a special threat to your security because of your job, and you live in the living accommodation as a part of special security arrangements in force to protect you.

Most company directors cannot claim exemption under the first two categories. Ask the Orderline for booklet *480: Expenses and Benefits A Tax Guide* if you want more details about this.

The main occupations which satisfy the rules for exemption are:

- agricultural workers living on farms or agricultural estates
- lock-gate and level-crossing gate keepers
- caretakers who live on the premises for which they are responsible
- stewards and green keepers who live on the premises they look after
- managers of public houses who live on the premises
- wardens of sheltered housing who live on the premises
- police officers and Ministry of Defence police
- prison governors, officers and chaplains
- clergymen and ministers of religion, unless engaged on administrative duties only
- members of HM Forces
- members of the Diplomatic Service
- managers of newspaper shops that have paper rounds
- managers of traditional off-licences, that is those with opening hours equivalent to a public house
- in boarding schools where staff are provided with accommodation on or near the school premises - the head teacher, other teachers with pastoral or other irregular contractual responsibilities outside normal school hours (for example, house-master), bursar, matron, nurse and doctor
- veterinary surgeons who live close to the practice in order to respond regularly to emergency calls
- managers of camping and caravan sites living on, or near to, the premises
- stable staff of racehorse trainers, who live on the premises and certain key workers who live close to the stables.

If you want more details, ask your Inland Revenue office.

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Working Sheet to calculate the taxable value of living accommodation that costs less than £75,000

If you had living accommodation, and it has a rateable value and cost less than £75,000, and you do not share it with any other employees, Steps 1 to 7 show you how to work out the basic taxable amount.

If the living accommodation cost more than £75,000, and you wish to check the figure for the additional charge your employer has given you (or to claim a deduction for business use from that amount), then follow Step 8 on page 3.

Ask your employer for information about the cost of the living accommodation. If you share the living accommodation with other employees, or if it does not have a rateable value, or if you need further information, consult booklet *480: Expenses and Benefits - A Tax Guide* available from the Orderline or ask your Inland Revenue office or tax adviser for help.

Step 1 Find out if the person who bears the cost of providing you with the living accommodation (this will usually be your employer but may have been someone else) pays rent for the property. Enter the yearly rent in box A.
For example, your employer may pay rent of £2,500. If so, enter £2,500 in box A.

A £

Step 2 Find out what the gross rateable value was when the property was last rated. If the property was in Scotland multiply this figure by $^{100}/_{270}$. Enter this in box B.
For example, a property in England may have had a rateable value of £500. If so, you would enter £500 in box B. (If the property was in Scotland and it had a rateable value of £1,350 you would again enter £500 in box B $^{100}/_{270}$ x £1,350 = £500)

B £

Step 3 Take the higher of the amounts in boxes A and B and enter it in box C*.
In the example this would be the £2,500 rent paid. If your employer had owned the property and not paid rent you would have to take £500.

C £

Step 4 If you pay any money for the living accommodation (to the person mentioned at Step 1), enter in box D the total you paid for the year **but** if the amount in box C is less than what you pay, copy the amount in box C to box D.

D £

Step 5 **Subtract box D from box C. Enter the result in box E.**
For example, if you paid £15 a week to your employer throughout the year you would subtract £780 (£15 multiplied by 52) from £2,500. You would enter £1,720 in box E.

E £

Step 6 If any part of the living accommodation is set aside exclusively for the duties of your job then multiply the amount in box C (or box E if appropriate) by the fraction that the part makes of the whole accommodation. This is the **business use amount.**
For example, if one room is a study you use all the time for work, and that room is $^{1}/_{7}$ of the whole living accommodation, then the business amount is £246 (£1,720 divided by 7). **Business use amount** £

Step 7 Subtract the **business use amount** (if any) from boxes C or E, as appropriate. This is the **basic taxable amount.**
In the example the basic taxable amount would be £1,474 (£1,720 minus £246) **Basic taxable amount** £

Enter the basic taxable amount in box 1.14 in your Employment Pages unless the living accommodation cost more than £75,000. If so, there may be an additional charge. Follow Step 8 on page 3 if you wish to check the figure your employer has given you or work it out for yourself.

* If the living accommodation was provided to you for part of the tax year only, take an appropriate proportion of the higher figure. For instance, if the accommodation was first provided to you on 6 October 2000, the appropriate proportion would be: $^{182}/_{365}$ x £2,500 = £1,243.

Working Sheet to calculate the taxable value of living accommodation that cost more than £75,000

Step 8 Use this section to check the amount of the **additional charge** that may arise* if the living accommodation cost more than £75,000.

Enter in box F either:

- the cost of the living accommodation (including the cost of improvements** made to it since it was acquired), **or**
- **if you first occupied the living accommodation after 30 March 1983, and your employer*** held an interest in it throughout a period beginning six years before you first occupied the living accommodation,** the market value of the accommodation at the date you first occupied it plus the cost of any subsequent improvements.**

Cost of the living accommodation (including cost of improvements) **	**F**	£
Payments made by you towards that cost or for the grant of a tenancy	**G**	£
Subtract box G from box F. Enter the result in box H	**H**	£
Enter in box J the figure in box H minus £75,000	**J**	£
Multiply the figure in box J by the official rate of interest at 6 April 2000 (6.25%)	**K**	£
If the living accommodation was provided for part of the tax year only, enter here the number of days it was provided		*days*
Divide the number of days by 365. Multiply the result by the figure in box K and enter this in box L	**L**	£
Enter in box M the rent you pay for the living accommodation	**M**	£
Enter in box N the amount of any rent that you have already included in box D	**N**	£
Subtract the figure in box N from the figure in box M. Enter the result in box P	**P**	£

Subtract the figure in box P from the figure in box K (if the accommodation was provided for the whole tax year)

or

Subtract the figure in box P from the figure in box L (if the accommodation was provided for only part of the tax year)

Enter the result in box Q	**Q**	£

If part of the accommodation is set aside exclusively for your job, multiply the figure in box Q by the fraction you used at Step 6 to work out the business use amount. This is the **business use amount**	**Business use amount**	£
Subtract the **business use amount** from the figure in box Q. This is the **additional taxable amount**	**Additional taxable amount**	£
		+
Enter the **basic taxable amount** from Step 7	**Basic taxable amount**	£
		=
Add the additional taxable amount to the basic taxable amount. Enter the total in box 1.14 in your Employment Pages		£

* There is no additional charge if the basic charge is based on a full open market rent.

** Do not include improvements made in the 2000-2001 tax year.

*** Or whoever provided the accommodation to you, or a connected person.

These notes are for guidance only, and reflect the position at the time of writing. They do not affect any rights of appeal.